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Papadopoulos, Theodoros and Roumpakis, Antonios [orcid.org/0000-0003-1195-7089](https://orcid.org/0000-0003-1195-7089)  
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## Rattling Europe's ordoliberal 'iron cage': the contestation of austerity in Southern Europe

Theodoros Papadopoulos<sup>i</sup> and Antonios Roumpakis

### Abstract

This article explains the popular revolt against austerity in Southern Europe as the outcome of profound politico-economic changes that are shaped by the transformation of the European Union's (EU's) macro-economic governance. It comprises three parts. The first part demonstrates how ordoliberalism – the Germanic variant of (neo)liberal economic thinking – was embedded in the EU's new macro-economic governance, in processes that constitutionalise austerity and remove democratic controls over the economy. The second part examines the impact of austerity-driven reforms on welfare and employment in the aftermath of the sovereign debt crisis. These reforms undermined the social reproduction of Southern Europe's familistic welfare model by destabilising three key pillars of social protection: employment security for households' primary earners; small property ownership; and pension adequacy. The third part analyses the emergence of anti-austerity social politics in Southern Europe, both parliamentary and grassroots, and assesses their effectiveness in light of the collapse of public trust in both EU and domestic political institutions. The article concludes with our reflections on the fragility of EU's integration process under the hegemony of ordoliberalism.

### Key words

austerity, European Union, ordoliberalism, Southern European welfare states

## Introduction

In our article we explore the context of popular revolt against austerity in Southern Europe in the aftermath of the sovereign debt crisis. We show how austerity-driven reforms became part of the reconfiguration of EU's macro-economic governance under the hegemony of ordoliberalism – the 'particular German variant of neoliberalism' (Woodruff, 2016: 94) – and analyse the implications for welfare policies and politics. In this context, our article contributes to the growing literature on the transformation of welfare, and its politics, in the age of permanent austerity. This literature includes studies exploring the pressures for the institutionalisation of austerity and the marketisation of welfare globally (Holden, 2014; Milanovich, 2016) and in Europe (Gill, 2017; Streeck, 2012, 2013, 2014); the challenges to the European social model before and after the Euro Crisis (Copeland and Daly, 2015; Menz and Crespy, 2015; Kennett, 2017; Vaughan-Whitehead, 2014); the comparative political economy of welfare in times of austerity (Farnsworth and Irving, 2015); and, especially for Southern Europe, the impact of austerity on socioeconomic security (Papadopoulos and Roumpakis, 2013, 2015; Petmesidou, 2013; Moreira et al., 2015; Petmesidou and Glatzer, 2015) and the character of democratic politics in the aftermath of the sovereign-debt crisis (Verney and Bosco, 2013; Matthijs, 2014; Afouxenidis, 2015; Giannone, 2015; Gropas, 2016).

The article comprises three sections. The first section traces the emergence of EU's new (ordoliberal) macro-economic governance and interrogates its role in advancing the reconfiguration of member states' political economies under conditions of high sovereign debt. The second section provides a brief overview of the type and extent of austerity-driven reforms in the areas of employment, pensions and taxation in four Southern European countries (Greece, Italy, Spain and Portugal). By analysing the socioeconomic effects of these reforms we demonstrate how the crisis has dramatically accelerated the scope and severity of market-enhancing reforms already underway pre-crisis. In the third part we analyse the sociopolitical reactions to austerity. We discuss the rise of anti-austerity politics, both parliamentary and grassroots, and evaluate their effectiveness against the backdrop of the spectacular decline of public trust towards the EU and domestic political institutions.

## Ordoliberalism and the new European economic Governance

Ordoliberalism emerged in Germany 'as a reaction both to the consequences of unregulated liberalism in the early twentieth century and subsequent Nazi fiscal and monetary interventionism' (Dullien and Guérot, 2012: 1; on the origins of ordoliberalism see also Bonefeld, 2013). Its 'central tenet' is that 'governments should regulate markets in such a way that market outcomes approximate the theoretical outcome in a perfectly competitive market' (Dullien and Guérot, 2012: 1). In short, contrary to the belief in the capacity of 'free' market to generate spontaneous order and the, generally, anti-statist predisposition of mainstream neoliberalism, ordoliberalism deems state intervention as essential in creating the order necessary for the creation of a market society. As Storey (2017: 3) described it, 'for ordoliberals, enterprise and competition need to be fostered and protected, at the level of both the individual and the firm, [as] they do not occur "naturally"'. In turn, 'uploaded' at the level of European macro-economic governance, German-led ordoliberalism framed both the formal principles and operational mechanisms of the European Monetary Union (EMU), prescribing specific roles for member states, EU institutions and socioeconomic regulation.

In particular, the launch of the EMU in 1992 heralded a new era in the history of European integration. For its creators, a key objective of the EMU was to act as a catalyst for the capital-friendly restructuring of EU member states' tax and welfare systems, industrial relations and business regulations. Robert Mundell, the so-called 'spiritual father' of the Euro<sup>1</sup> (1) described how, in the EMU, 'monetary policy [was designed to be] out of the reach of politicians' and how 'without fiscal policy, the only way nations can keep jobs is by the competitive reduction of rules on business' (*Guardian*, 2012). Jean-Claude Trichet, ex-president of the European Central Bank (2003–11), highlighted as one of EMU's positive consequences that firms will become 'more and more sensitive to overall labour cost differentials and business regulation in choosing a particular location in the Eurozone, [and therefore] exert a considerable pressure for *appropriate* reforms' (quote in Degryse et al., 2013: 16, emphasis ours). Still, prior to the eruption of the sovereign-debt crisis, much of the member states' fiscal and financial sovereignty remained intact while market-enhancing reforms continued to be embroiled in national democratic politics. In fact, as far as Southern Europe was concerned, the pace of neoliberal reforms was rather slow prior to the crisis and in most countries incremental (Spain probably being the only exception). Especially in Greece, reforms were met with fierce resistance from labour unions and received only lukewarm approval from electorates.

The picture changed in the aftermath of the sovereign debt-crisis. Not only the pace of legislating and implementing reforms accelerated dramatically (see Degryse et. al., 2013; Papadopoulos and Roumpakis, 2013) but their external imposition as prerequisites for bail-out loans facilitated their integration into the far-reaching reconfiguration of EU's socioeconomic governance that took place at the same time (Papadopoulos and Roumpakis, 2015; Sacchi, 2015). The outbreak of the sovereign-debt crisis provided a window of opportunity to EU politico-economic elites to advance even faster a process that has been variably characterised as the constitutionalisation of neoliberal economic governance (Giannone, 2015), the rise of 'disciplinary neo-liberalism' (Gill, 2017), 'embedded neo-liberalism' (Cahill, 2014), or the 'refeudalisation of law' in Europe (Supiot, 2013). Following authors like Gill (2017), Worth (2016), Woodruff (2016) and Ryner (2015) we attribute this transformation to the rise, and eventual hegemony, of the particular variant of neoliberalism, German-led ordoliberalism, as the dominant paradigm of European macro-economic governance.

Originally embedded in the Stability and Growth Pact (1999) it was the Fiscal Compact treaty (2012) that marked the hegemony of ordoliberalism's rationale in the institutions enforcing national governments' compliance to the EMU imperatives, even when these went against the national publics' democratically expressed preferences or were damaging national economies. As Dr Wolfgang Schäuble, the German Federal Minister of Finance and self-proclaimed Ordoliberal<sup>2</sup> stated: 'elections cannot be allowed to change an economic programme of a member state' (*Guardian*, 2016).

The 'bailout' agreements for Greece, Portugal and Ireland, as well as the so-called 'stand-by' agreements for Italy and Spain, became directly linked to this fundamental reconfiguration of the EU's economic governance. The process was enacted through two distinct, but related,

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<sup>1</sup> See the January 2001 article in the Irish Times (Suiter, 2001).

<sup>2</sup> Speech by Dr Wolfgang Schäuble at the 4th Lindau Meeting in Economics, 27 August 2011.

institutional innovations. One innovation involved the ad hoc creation of the *unofficial*, yet extremely powerful, ‘troika’ of lenders, comprising the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF). The Troika was formed to enforce and evaluate the implementation of market- enhancing policies and austerity measures imposed as conditionalities for monetary assistance. The narrative that legitimised the unprecedented surrender of national fiscal and financial sovereignty was that such reforms were the only alternative for indebted Eurozone countries to ‘balance their books’, recover their economic stability and prepare to return to the global financial markets (see also Ojala and Harjunemi, 2016). The other innovation involved member states agreeing to a set of *official* transnational macro-economic surveillance mechanisms that monitor ‘competitiveness alert thresholds’ – involving factors like wage remuneration and labour productivity – as well as the creation of the European Stability Mechanism (ESM), a supra-state institution meant to deal with indebted member states, with enormous fiscal powers but very unclear line of accountability (see Roumpakis and Papadopoulos, 2017).

Under the new regime, for the first time in their history, EU institutions extended their competence in policy areas previously under the sole jurisdiction of national governments, like deciding state budgets or setting national wage levels (see also Barbier 2012). In particular, under the rhetorical guise of improving the quality of the EU’s macro-economic coordination, wage policy became ‘the most important adjustment variable for promoting competitiveness’ (Busch et al., 2013: 8). First, the so-called ‘Six-Pack’ agreement (December 2011) stipulated that public sector wages should be revised in order not to hamper competition with the private sector while wage increases in the private sector cannot exceed rates of productivity increases. Failure to comply with the rules incurs a financial penalty equal to 0.1 per cent of a member state’s gross domestic product (GDP).<sup>3</sup> Furthermore, under the rules of the Fiscal Compact Treaty, signed in March 2012, the member states’ budgets are required to be balanced or in surplus. As these rules are required to have a binding force and permanent character (European Council, 2012), they have to be enshrined in national law, preferably through constitutional amendments, making austerity a permanent feature of European integration (Dehousse, 2012; Streeck, 2013). As Gill (2017: 639–640) remarked:

*Article 11 [of the Treaty] required EU coordination of all economic policy reforms, restricting any single country from developing an alternative economic policy. In contrast to all other EU treaties, it allows the European Court of Justice to fine a Member State for non-compliance. Both the [1999] Growth and Stability Pact and the Fiscal Compact are quintessentially European examples of the new constitutionalism of disciplinary neoliberalism, incorporating new transnational legal measures and mechanisms of surveillance. These measures serve to lock-in commitments to neoliberal regulation and frameworks of accumulation in ways that correspond to the ‘iron cage’ of Germanic ordoliberalism. (Ryner, 2015)*

The signing of the Fiscal Compact treaty in 2012 formalised the process of constitutionalising ordoliberalism in the EU. Across most of the EU, wages and working conditions are now to be

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<sup>3</sup> Interestingly, similar mechanisms of surveillance for poverty reduction are absent in the adopted strategy of ‘Europe 2020’ (June 2010) that replaced the Lisbon Strategy (Copeland and Daly, 2015; de la Porte and Heins, 2015).

treated as key adjustment variables in the promotion of economic competitiveness (thus replacing nominal exchange rates). Crucially, responsibility for competitiveness remains attached to the EU member states. Under the treaty, member states can exercise control over fiscal or wage policy as long as the latter conform to the disciplinary 'boundaries' (e.g. limits of public budget deficits or competitiveness targets) set by the new rules. Thus, for countries facing severe economic difficulties, like Spain and Greece, adopting anti-cyclical fiscal policies is prohibited. The only remaining option is internal devaluation by means of wage reductions, welfare cuts and continuous undermining of employment protection (see also Table 2 on Papadopoulos and Roumpakis, 2017a).

Under the new EU economic governance national governments are primarily held accountable 'upwards', to new EU institutions, for their effectiveness in disciplining wage demands that outstrip productivity and competitiveness and for what is now permanently institutionalised public budget discipline. The new institutional architecture not only perpetuates structural economic asymmetries between core and peripheral EU political economies but severely deepens them, driving the peripheral member states, especially in the European South, into a spiral of continuous internal devaluation. In this context, popular rejections of austerity were almost inevitable (Bonefeld, 2015: 882), though in Southern Europe they also coincided with an unprecedented delegitimation of the European integration project itself. Still, to appreciate the significance of the popular revolt against austerity, we need to comprehend the type and extent of austerity-driven reforms and their socioeconomic impact.

### **Southern Europe: Austerity measures and their Impact**

In Southern Europe, reforms like the promotion of 'flexible' employment practices, the expansion of part-time employment or the weakening of collective bargaining were already underway prior to the sovereign debt crisis (Karamessini, 2008; Papadopoulos and Roumpakis, 2012). Still, as we explained above, the process of dealing with the eruption of the sovereign debt crisis enabled the acceleration of their pace. Reforms involved (indicatively): drastic cuts in pensions and public health (Papadopoulos and Roumpakis, 2013; Petmesidou, 2013), privatisation of state enterprises (see Zacune et. al., 2013); labour market deregulation (see Degryse et. al., 2013), decentralisation of collective bargaining systems (see Bernaciak and Müller, 2013; Busch et. al., 2013;) and cutting wages (see Karamessini and Giakoumatos, 2016). Since the beginning of the crisis minimum wages have been frozen and automatic wage increases have been suspended in Spain and Portugal while in Greece, Spain and Portugal public sector salaries were severely cut. Moreira et al (2015: 205–212) identified no less than 76 labour reforms adopted in a period of three years alone (2010–13). The largest number was enacted in Greece (29), followed by Spain (22), Portugal (17) and Italy (8). They comprised a 'full spectrum' attack on established socioeconomic rights protecting workers both in and out of employment such as: drastic reductions in the protection against individual and collective dismissals; substantial cuts in severance payments, minimum wages and the levels (and duration) of unemployment benefits; erosion of protection when temporarily unemployed; and direct assaults upon national collective bargaining arrangements by means of formalising decentralised, firm-based, bargaining (see also Marginson, 2015; Papadopoulos and Roumpakis, 2017a).

In pensions, while many reforms were underway prior to the crisis – driven, primarily, by concerns with cost-containment and long-term financial sustainability (Natali and Stamati, 2014; Petmesidou and Glatzer, 2015) – their scale and pace accelerated post-crisis. In a detailed comparative study of austerity measures in the EU Hermann (2014: Table 2) identified numerous additional pension reforms including:

- further rises in retirement age – combined with the extension of contribution periods and the introduction of automatic adjustment of retirement age to life expectancy (Greece, Italy and Spain)
- extensive cuts in pension payments (Greece and Portugal)
- temporary pensions freezes (Greece, Italy, and Portugal), and
- measures restricting access to invalidity pensions and early retirement (Portugal)

Furthermore, in Greece, the government's decision to include occupational pension funds in the so-called 'haircut' on the value of privately held government bonds in March 2012 resulted in massive losses in their assets – 50% or more – further undermining the adequacy of future pension payments (Papadopoulos and Roumpakis, 2013; Petmesidou and Glatzer 2015).

Implementing austerity reforms in Southern Europe meant not only reducing public expenditures but also increasing revenues through taxation on 'immobile assets – i.e. consumers and low-income earners' (Schäfer and Streeck, 2013: 18). As Streeck (2013: 283) argued, in this new era, citizens, are expected to 'credibly commit themselves to fiscal consolidation' of their states. Contrary to the low-tax, minimal-state, approach of neoliberal policies, state action by Southern European governments focused on substantially increasing tax revenues in at least four ways: by increasing *direct* taxation via increases in personal income tax; by eliminating tax deductions; by enacting emergency levies on income or housing; and by lowering income tax thresholds (see Simonazzi and Barbieri, 2016; Papadopoulos and Roumpakis, 2015). Typically, in Greece, the tax-free income threshold was reduced by more than half while in Italy family tax allowances were cut under the Monti government in 2011. Additionally, Greece, Italy and Portugal witnessed new taxes on specific sources of income like occupational pensions and, more importantly, on property (Papadopoulos and Roumpakis, 2017a). Taxing the latter hit hard what is probably the most important pillar of socioeconomic security of Southern European households; namely, small private property and (outright) home ownership which, for historical reasons, has always been very high. It is fair to say that the austerity years have witnessed the most dramatic tax raid on personal income in recent memory in Southern European societies, hitting families in lower and middle incomes hard (on the effects of austerity on middle classes see also Petmesidou, 2011; Vaughan-Whitehead, 2016; Papadopoulos and Roumpakis, 2017a).

Below we review available data on poverty and the labour market to demonstrate how these measures brought about a crisis in the model of social reproduction of familistic welfare regimes in Southern Europe (see Papadopoulos and Roumpakis, 2013). Historically, Southern European states and firms saw the minimisation of costs of labour and social reproduction as key drivers of economic competitiveness and capital accumulation (on social reproduction see Bakker and Gill, 2003). In Southern European welfare regimes family retained its traditional role as the primary agent of social protection when its members were out of the

labour market or lacked the necessary resources to maintain their living standard. Indicative strategies and practices included: securing social security rights via the primary earner's formal employment (predominantly the father); providing substantial assets, or capital, to its members when they started their own family or business; and/or providing employment via the engagement of members in family businesses (see Papadopoulos and Roumpakis, 2017b).

This *familistic* mode of social reproduction was already in a crisis trajectory prior to the eruption of sovereign-debt crisis in 2008–09. Major challenges included the rise of private debt, fuelled by the cheap credit that became available in the Eurozone, and the increase in involuntary parttime employment due to labour market 'flexibilisation' (see Table 1; on neoliberalism and debtfare see Sodoerberg, 2014; on Southern Europe and debt see Papadopoulos and Roumpakis, 2015). Key contributor to the increase of households' indebtedness was the spectacular increase of housing loans and loans directed towards consumption and non-financial institutions like family businesses (see Papadopoulos and Roumpakis, 2013). Post-crisis, private indebtedness stabilised and began falling in all Southern European countries, apart from Greece where the gradual depletion of resources meant that many households had to resort to credit to meet even their basic needs. In addition, according to recent ECB data (Mesnard et al., 2016), non-performing loans (as percentage of all loans) reached 32% in Greece, 16% in Italy, 13% in Portugal and just below 6% in Spain. A simple breakdown of debtors by category reveals that it is small and medium-sized businesses (typically family owned) and households that represent the largest share of all non-performing debtors, indicating that households are unable to pay off their debts (see Annex 1 in Mesnard et al., 2016). The closure of hundreds of thousands of family-owned business, in combination to lower saving rates and the collapse of consumer confidence has led to a rapid decline in domestic demand and an explosion in unemployment, fuelling recession.

The increase in households' debt (as seen in Figure 1) was also accompanied by a significant fall in net savings as can be seen in Figure 2. The fall was more pronounced in Spain and Portugal in the years prior to the eruption of the crisis. The Italian households' net savings were hit particularly hard in the aftermath of the crisis and have not recovered since. The volatility in Greek households' savings rates prior to the crisis demonstrates that problems with [Figure 1 here] [Figure 2 here] saving were already pronounced during the pre-crisis years. The combined effects of increased taxation and income losses following wage cuts, pension cuts or unemployment (see Papadopoulos and Roumpakis, 2013) led to the depletion of Greek households' savings post-crisis. This negative trend can also be seen as a proxy for the extent of households' reliance on using-up their cash reserves, private borrowing, or the selling of assets and property to make ends meet.

Table 1 presents key indicators on Southern European labour markets. The levels of involuntary part-time employment increased rapidly since the eruption of the crisis with almost two-thirds of all part-time workers seeking full-time employment in Greece, Spain and Italy. In terms of job losses, the highest price was paid by women in Greece and Spain where, by 2015, female unemployment rates had skyrocketed to 28.9% and 23.6% respectively. Additionally, by 2015, almost 50% of all unemployed were looking for employment for more than 12 months in Spain, Italy and Portugal while in Greece this figure was 73.1%. Consequently, the share of children living in jobless



**[Table 1 here]**

households also increased. By 2015 it had nearly doubled in Greece, Spain and Portugal and had increased by, at least, one third in Italy when compared to 2001. Overall, the highest unemployment rate was recorded in Greece and Spain where, in 2013, it reached 27.5% and 26.1% respectively – truly unprecedented levels for developed countries during peace time. Data in Table 1 may give the impression that labour markets started to recover post-2013, especially in Portugal. However, to read these figures accurately we have to take into account the rise in emigration (usually by high-skilled youth), the rise in inactivity and the proliferation of involuntary part-time employment that accelerated post-crisis.

The impact of the austerity measures and recession, combined with the downward pressures on wages and working conditions have caused living conditions to deteriorate and prolonged the ‘immiseration of Southern Europe’ (Petmesidou, 2013). In particular, as Figure 3 demonstrates, the number of people at risk of poverty or social exclusion were at a downward trend in all Southern European societies until 2009. By 2013, all these gains were lost. And, although by 2015 poverty in Portugal and Spain began to decrease slightly, it persisted at very high levels in Greece and slightly increased in Italy. Greece is the country experiencing the highest levels, (close to 40% by 2015), the highest increase in people’s inability to make ends-meet, with Portugal following at nearly 20% and Spain and Italy both closer to 14%. Understandably, the impact on social cohesion was severe: insecurity, homelessness, mental and physical health problems and suicides increased rapidly during

**[Figure 3 here]**

the austerity years, and continue to be high, especially in Greece and Spain (Govan, 2016; Karamessini and Giakoumatos, 2016; Lahad et al., 2016). Finally, the rather scarce data on Southern Europe’s housing sector reveal an accelerating problem with housing affordability and mortgage arrears which coincides with a dramatic rise in foreclosures and evictions (Arapoglou, 2016). Recent reforms allowed private landlords to liberalise rent agreements and gave them the opportunity to change terms and conditions (including rent) as well as evict tenants more quickly (Pittini et al., 2015). The rapid increase of non-performing loans after 2008 have led to numerous court cases for housing evictions, mostly in Greece and Spain. In Greece, the SYRIZAled government succumbed to the troika demands and introduced a law in 2015 that allows a shorter time-frame for both evictions and the purchase of non-performing loans by foreign funds for a fraction of their value. This gave the funds powers to collect and enforce claims at full value. In Spain a dramatic rise in foreclosures, exceeding 600,000 since 2008, resulted in more than 378,000 eviction orders being issued by 2014 (CGPJ, 2015 cited in García-Lamarca, 2017). In Italy, a housing affordability crisis seems underway evidenced in the increased number of evictions (Pittini et al., 2015) and the proliferation of squatting, mainly in urban areas (Di Felicianantonio, 2016). Lastly, under pressure from the troika the Portuguese government re-regulated the rental market, making it easier for landlords to evict tenants.

The combination of austerity measures and the ensuing recession, high levels of household debt, collapse of savings rates, cuts in wages and pensions, tax increases, unemployment,

under-employment and job precarity, and the deterioration of core services of the welfare state formed a ‘perfect storm’ that led to substantial income losses and accelerated insecurity in and out of the labour market (Wise, 2015; Gonzalez et al., 2016; Muñoz-De-Bustillo et al., 2016; Simonazzi and Barbieri, 2016; Papadopoulos and Roumpakis, 2017a). A political economy of generalised insecurity began to emerge in Southern Europe. It would be only a matter of time before the political fallout was felt.

## The popular revolt against austerity

There was notable resistance to neoliberal reforms in Southern Europe for at least a decade prior to the sovereign debt crisis (Mattei, 2013; Spanou, 2008). However, pre-crisis, the legitimacy of national institutions of representative democracy or trust towards the EU and its institutions was never seriously questioned. It was the socioeconomic shock and severity of austerity measures and associated reforms that led to the fundamental breach of the political ‘contract’; not only between voters and traditional political parties but also between citizens and the politico-economic institutions at large. Post-crisis, the popularity of traditional electoral coalitions and party formations has either collapsed or has been seriously shaken, while the legitimacy of EU and national institutions has been severely challenged.

### [Table 2 here]

One of the most profound manifestations of the political fallout is the collapse of trust towards the EU. Traditionally, Eurobarometer surveys recorded large majorities of South European citizens being trustful of the EU and its institutions. As Coakley (2016: 197) remarked “‘Europe’ represented hope and ... a new age of prosperity and modernity’. By 2013 the picture was totally reversed (see Mungiu- Pippidi, 2015: 20 and Table 9). South Europeans became deeply mistrustful of the EU, with trust levels shrinking by 40 percentage points in Greece, to only 18%, and by 37 percentage points in Spain, to only 17% (see Matthijs 2014: Figure 2). Trust levels in Italy and Portugal were relatively higher, 25% and 26% respectively, but substantially lower than the pre-2008 levels.

The extent of mistrust and de-legitimation was even more pronounced towards domestic political institutions (Table 2). By 2013, only 7% of Spanish citizens trusted their national parliament, only 8% trusted their government and only 5% had any faith in their political parties. The respective figures for Greece were 10%, 10% and 4% respectively while in Italy they were 12%, 11% and 7% and in Portugal, 12%, 10% and 9% respectively. Compared to 2008 the fall was truly spectacular: trust in national government in Spain, for example, had dropped by 37 percentage points while in Portugal by 24 percentage points.

Set against this backdrop, the emergence of the *indignados* movement in Spain, the anti-austerity movement of *Aganaktismenoi* (indignants) in Greece or the *Movimento 5 Stelle* in Italy are clear manifestations of the growing disillusionment with both domestic political regimes and the EU. Furthermore, as the impact of recession and austerity was worsening, the fragmentation and polarisation among the respective publics were deepening (Verney and Bosco, 2013). Eventually, the public sentiment was expressed electorally in all four countries, with new or previously marginal parties harnessing the energy and votes of these movements. The rise to power of the radical left coalition of SYRIZA in Greece (but also the

rise in popularity of the extreme right-wing party of 'Golden Dawn'), the electoral successes of Podemos in Spain and the Five Star Movement-cum-party in Italy challenged the political status quo, both domestically and in the EU. Even in Portugal, where politics are still dominated by mainstream parties, there was a surge of support for the anti-austerity radical Left Bloc and the Communist Party in the 2015 general elections. Eventually they were invited (and accepted) to support a minority government led by the social democratic Socialist Party.

It was in Greece where the political challenge to austerity went beyond domestic politics. The election of SYRIZA in January 2015 sent political shockwaves to the rest of the EU political elites and appeared as the first credible threat to the hegemony of ordoliberalism in the EU. SYRIZA's coalition of social movements actively campaigned not merely against austerity at home but against what they perceived as the EU's neoliberal order. However, after nearly six months of negotiations, the message from the lenders was clear: the precondition for any new agreement was further austerity measures under the troika's surveillance. With its back to the wall, the Greek government announced a referendum (held on 5th July 2015) on an EU proposal that represented the continuation of austerity measures unabated. The ECB retaliated by blocking the Greek banks' access to liquidity, forcing the Greek government to order their closure and to impose capital controls during the week before the referendum. Defying all opinion polls, the closed banks and the negative propaganda from inside and outside the country, 61% of the Greek electorate voted 'No' and rejected the deal. Still, it was not meant to be democracy's turn. A week later, facing the threat of an imposed Grexit from the Eurozone, the Greek Prime Minister Alexis Tsipras accepted a new (worse) deal. Amidst an avalanche of resignations of many prominent SYRIZA members new elections were declared for September 2015 which SYRIZA won. However, with absenteeism reaching 43% – a record in a country where voting is compulsory – the Greek electorate appeared tired and disillusioned. A new SYRIZA government of 'pragmatists' began implementing neoliberal policies similar to those that they were originally elected to oppose.

In Spain, PODEMOS also shook the political establishment and managed to pose a serious challenge to the two major parties that ruled Spain during the post-dictatorship era. A radical-left party rooted in political activism, PODEMOS gained significant popularity and in the 2015 national elections came third, attracting 20.65% of the vote, very close behind PSOE (Spain's social democratic party). Elections took place again in 2016 following the failure of any of the parties to form a government. PODEMOS contested as a coalition with other minor parties but suffered (limited) electoral losses, seemingly caught between its radical-left anti-austerity campaign and a postelection strategy that would necessitate a coalition with other moderate/centrist political parties. PODEMOS electoral tactics aside, it is no secret that the 'SYRIZA experiment' had cast a heavy shadow over the possibility of a radical anti-austerity party participating in government in Spain.

So far, reversing austerity policies by electoral means, has failed. The new mode of (ordoliberal) economic governance in the EU has effectively precluded democratically elected governments in Southern Europe from changing their economic policies, thus putting the very purpose of having national democratic elections in doubt (*Guardian*, 2016). Still, although the prospects of challenging austerity through formal politics appears hapless and hopeless, grassroots action may offer a glimpse of hope.

For example, action groups in Greece were successful at interrupting the judicial process of home evictions, at least until the end of 2017, using both legal means and direct action like disrupting court hearings. In Spain, the Plataforma de Afectados por la Hipoteca (PAH; Platform for People Affected by Mortgage) organised solidarity actions and engaged in legal activism that led to important judicial rulings against evictions. For example, following the PAH's referral of an eviction case to the European Court of Human Rights the Court ruled that the Spanish government should safeguard its citizens' human right to housing (see Arapoglou, 2016; Bakero, 2015). Other forms of grassroots' action include workers' occupations of factories abandoned by their owners – like the VIOME factory in Greece, currently a self-managed cooperative (Karyotis, 2016) – or the mobilisation to stop water privatisation in the Greek city of Thessaloniki by a coalition of trade unions, civil society organisations and local citizens. Rumours about water privatisation plans led to fierce protests that culminated into organising in 2013 the first successful 'European Citizens' Initiative': more than 1.6 million EU citizens signed a call to the EC to make a legislative proposal that formally recognised UN's human right to water. Further, a referendum organised on 18 May 2014 in Thessaloniki returned 98% disapproval for water privatisation. This form of collective mobilisation that combined both local and transnational forms of action managed to stop the plans for water privatisation in Greece (Kanellopoulou, 2013). Together with the PAH case in Spain they provide important lessons regarding the effectiveness of social mobilisation when action at local, national and transnational levels is coordinated.

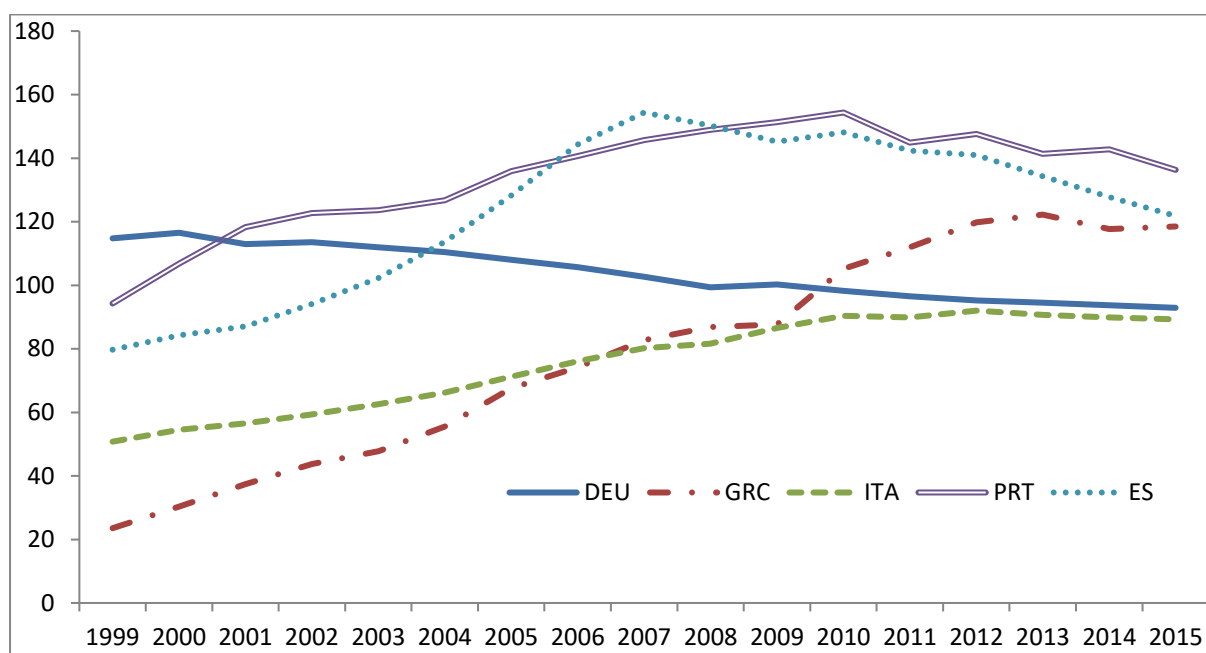
## Concluding Reflections

In our article we explored how the popular revolt against austerity in Southern Europe was the outcome of profound politico-economic changes related to the emergence of a transnational ordoliberal regime of macro-economic surveillance in the EU. We demonstrated that, apart from contributing to the ongoing recession, the 'shock therapy' of austerity measures hit hard the pillars of the Southern European welfare model (i.e. employment security, home ownership, pension adequacy). The traditional familistic mode of social reproduction has been destabilised by the emergence of a new political economy of generalised insecurity. In this political economy, the familial household faces high levels of indebtedness, substantial income reductions and continuous assaults on its socioeconomic security.

The popular revolt against austerity challenged traditional parliamentary politics and parties and questioned the legitimacy of EU's ordoliberal economic governance, if not the integrity of the EU itself. At the same time numerous citizens experimented with new forms of democratic practices and mobilised at local, national and transnational levels of action. Yet, so far, national democratic politics (electoral or grassroots) have been unable to influence the direction of economic policy. The domestic austerity-driven policy agenda remained unchanged while 'Europe's ordoliberal iron cage' remained intact. In this new era, where political accountability lies in the transnational 'twilight zone between the member states and the EU' (Bonefeld (2015: 879) member states' governments are conditioned, under the threat of penalties, to pursue budget surpluses in perpetuity, to institutionalize austerity and to thwart any wage demands that outstrip productivity.

The capitulation of the anti-austerity but, otherwise, pro-European, SYRIZA government in 2015 was followed by a large number of electoral near-misses of a resurgent far right in Europe (Austria, the Netherlands, France) and the Brexit outcome of the UK referendum in 2016. Against this background, the only other serious political challenge to the hegemony of ordoliberalism in the EU seems to come from what Worth (2016: 17) characterised as nationalist 'market Eurosceptics' who 'have managed to co-opt some of the extremes of the far right ... to fit within a wider neoliberal discourse'. It remains an open question how an ordoliberal EU will accommodate the rising tide of market Eurosceptics when pro-European, critical of austerity but socially progressive voices were so brutally neutralised, as in Greece. The unity of the EU and the governance of its integration were never more fragile.

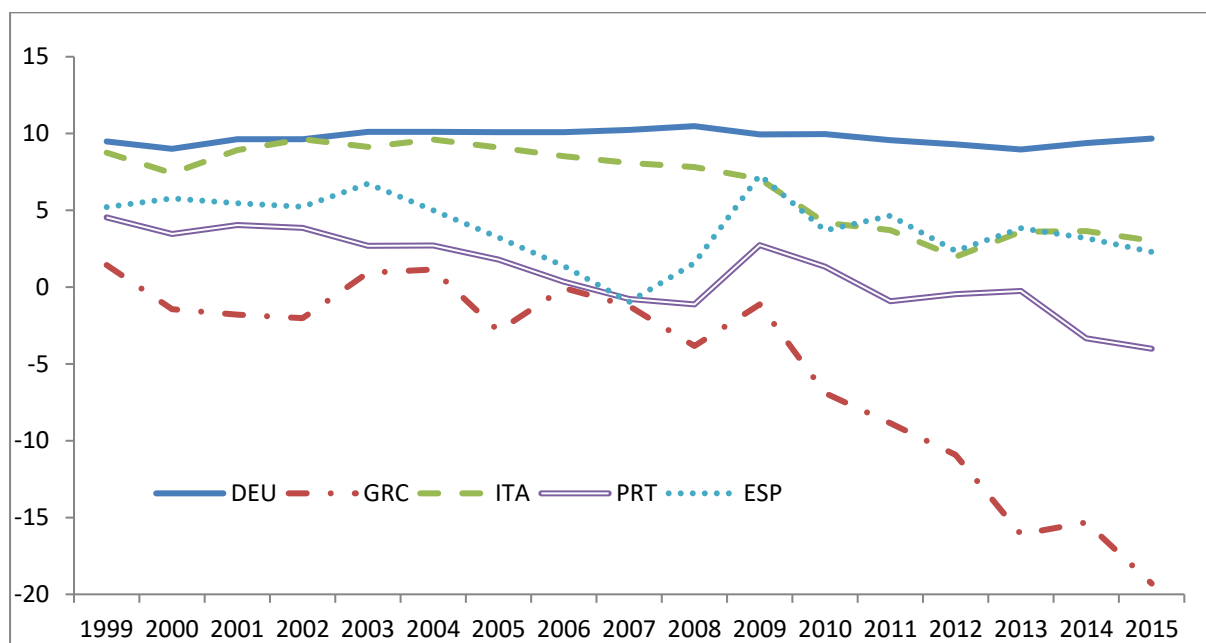
Figure 1: Household debt (%) in Southern Europe and Germany, 1999 – 2015



Note: Total household debt as a percentage of net disposable income

Source: Eurostat

Figure 2: Saving rates (%) in Southern Europe and Germany, 1995-2015



Note: Net savings as percentage of net disposable income

Source: OECD

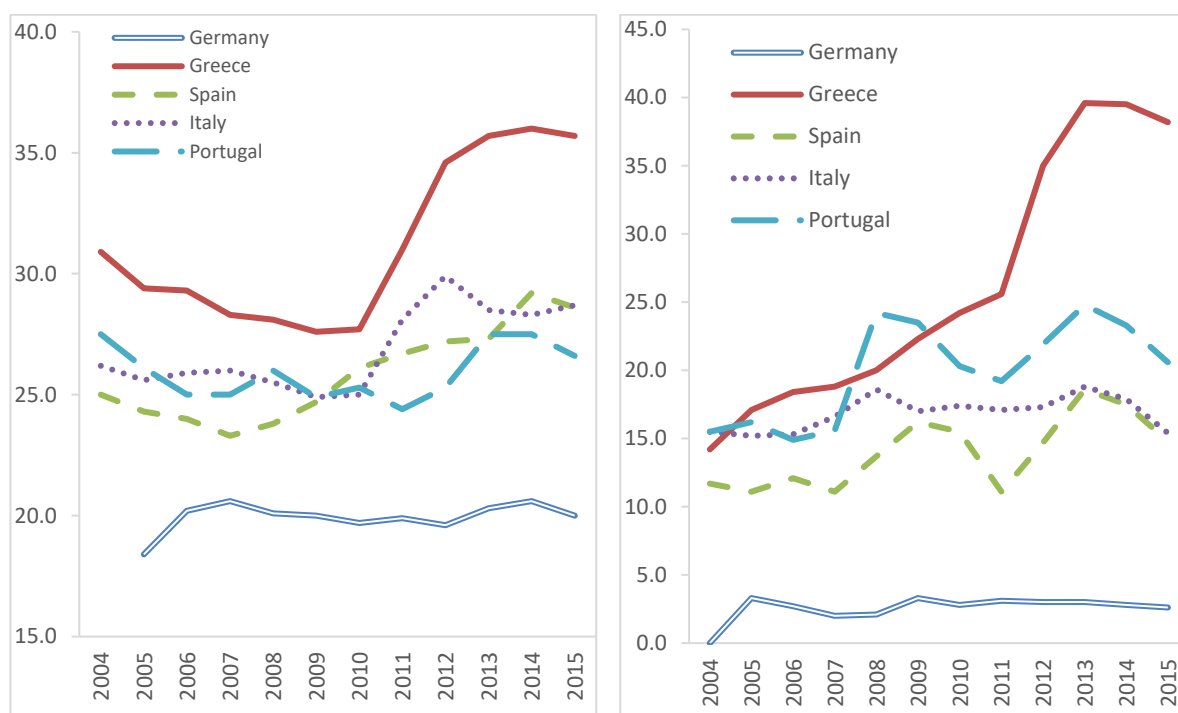
Table 1: Employment and unemployment indicators and children living in jobless households in Southern Europe, 2001-2015

YEAR	2001	2008	2009	2010	2011	2012	2013	2014	2015
Involuntary part-time employment as % of part-time unemployment									
Greece	51.9	44.1	49.8	54.7	60.3	64.9	68.2	71.2	72.6
Spain	22.4	36.0	44.2	50.1	56.0	61.3	63.3	64.0	63.2
Italy	37.7	41.3	46.4	50.2	54.2	58.5	62.8	65.4	65.6
Portugal	21.9	40.3	37.7	42.1	45.1	47.4	48.8	49.3	50.1
Total Unemployment									
Greece	10.7	7.8	9.6	12.7	17.9	24.5	27.5	26.5	24.9
Spain	10.6	11.3	17.9	19.9	21.4	24.8	26.1	24.5	22.1
Italy	9.0	6.7	7.7	8.4	8.4	10.7	12.1	12.7	11.9
Portugal	5.1	8.8	10.7	12.0	12.9	15.8	16.4	14.1	12.6
Female unemployment									
Greece	16.1	11.5	13.3	16.4	21.5	28.2	31.4	30.2	28.9
Spain	15.2	12.8	18.1	20.2	21.8	25.1	26.7	25.4	23.6
Italy	12.1	8.5	9.2	9.6	9.5	11.8	13.1	13.8	12.7
Portugal	5.1	9.0	10.3	12.2	13.2	15.6	16.6	14.5	12.9
Long-term unemployment (as part of total unemployed)									
Greece	52.0	47.1	40.4	44.6	49.3	59.1	67.1	73.5	73.1
Spain	36.1	18.0	23.8	36.6	41.6	44.4	49.7	52.8	51.6
Italy	64.5	45.2	44.3	48.0	51.4	52.6	56.4	60.8	58.1
Portugal	33.5	43.0	40.0	47.6	48.4	48.8	56.4	59.6	57.4
Children aged 0-17 living in jobless households*									
Greece	5.5	3.6	4.9	6.3	9.2	13.0	13.3	11.3	11.5
Spain	6.6	6.5	9.9	10.7	11.9	13.8	14.1	13.0	11.8
Italy	6.9	6.8	7.6	8.2	8.4	9.2	10.3	10.8	10.6
Portugal	3.8	4.8	6.2	7.1	7.9	9.4	10.1	7.7	6.7

Source: Eurostat

Note: \*: share of persons aged 0-17 who are living in households where no-one is working

Figure 3: At risk of poverty or social exclusion (left) and Inability to make ends-meet (right), 2004-2015



Source: Eurostat

Table 2.  
Trust in national institutions in south EU member states (2008 and 2013)

	Trust in national Parliament 2013 (%)	Change in trust in national Parliament since 2008 (%)	Trust in national government 2013 (%)	Change in trust in national government since 2008 (%)	Trust in political parties 2013 (%)	Change in trust in political parties since 2008 (%)
Greece	10	-22	10	-14	4	-10
Italy	12	-15	11	-14	7	-9
Portugal	12	-26	10	-21	9	-8
Spain	7	-32	8	-37	5	-25
EU (average)	29	-7	29	-8	19	-3

Source: Mungiu-Pippidi (2015:10, Table 2), based on Eurobarometer data



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## Author biographies

**Theodoros Papadopoulos** is a Lecturer in Social Policy in the Department of Social and Policy Sciences, University of Bath. His research interests include the transformation of EU socioeconomic governance; the political economy of familistic welfare regimes; and social policy in Latin America. Recent publications: with A. Roumpakis, 'The erosion of Southern Europe's middle classes: Debt, insecurity and the political economy of austerity', *Sociologie e Politiche Sociali* 20(2) (2017); with A. Roumpakis, 'From social regulation of competition to competition as social regulation: Transformations in the socio-economic governance of the European Union', in D. Horsfall and J. Hudson (eds) *Social Policy in an Era of Competition* (Policy Press, 2017).

**Antonios Roumpakis** is a Lecturer in Comparative Social Policy in the Department of Social Policy & Social Work, University of York. His research interests include the political economy of familistic welfare capitalism; the transformation of EU socioeconomic governance; and social policy in East Asia. Recent publications: with T. Papadopoulos, 'The erosion of Southern Europe's middle classes: Debt, insecurity and the political economy of austerity', *Sociologie e Politiche Sociali* 20(2) (2017); with T. Papadopoulos, 'Family as a socio-economic actor in the political economies of East and South-East Asian welfare capitalisms', *Social Policy & Administration*, 51(6) (2017).

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<sup>i</sup> Corresponding author: Theodoros Papadopoulos, Department of Social and Policy Sciences, University of Bath, Bath, BA2 7AY, UK. Email: t.papadopoulos@bath.ac.uk